

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:
0 1 — 0 3

2. STATE:
Texas

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL SECURITY ACT (MEDICAID)

4. PROPOSED EFFECTIVE DATE
October 1, 2001

TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN

☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN

☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

~~State Regulation 25.140 Chapter 42~~
42 CFR 440.130(d) and 447.201.(b)

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$ -0-
b. FFY 2002 \$ -0-

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

See Attachment

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION OR ATTACHMENT (If Applicable):

See Attachment

10. SUBJECT OF AMENDMENT: Amendment No. 588 revises the reimbursement methodology for rehabilitation services from a uniform, prospective rate that is determined at least annually to a uniform, statewide, interim rate with a cost-related year-end settlement.

11. GOVERNOR'S REVIEW (Check One):

☐ GOVERNOR'S OFFICE REPORTED NO COMMENT

☐ COMMENTS OF GOVERNOR'S OFFICE ENCLOSED

☐ NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☒ OTHER, AS SPECIFIED:

Sent to Governor's Office this date. Comments if any will be forwarded upon receipt.

12. SIGNATURE OF STATE AGENCY OFFICIAL:

Linda K. Wertz

13. TYPED NAME:

Linda K. Wertz

14. TITLE:

State Medicaid Director

16. RETURN TO:

Linda K. Wertz
State Medicaid Director
Health and Human Services Commission
Post Office Box 13247
Austin, Texas 78711

15. DATE SUBMITTED: 2001
December 21

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

26 DECEMBER, 2001

18. DATE APPROVED:

4 FEBRUARY, 2002

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

1 OCTOBER, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

21. TYPED NAME:

CLAVIN G. CLINE

22. TITLE:

ASSOCIATE REGIONAL ADMINISTRATOR
DIR. OF MEDICAID AND STATE OPERATIO

23. REMARKS:

Attachment to HCFA-179 for
Transmittal No. 01-03, Amendment No. 588

Number of the
Plan Section or Attachment

Attachment 4.19-B
Page 20
Page 20a
Page 20b
Page 20c
Deleted
Deleted

Number of the Superseded
Plan Section or Attachment

Attachment 4.19-B
Page 20 (TN00-10)
Page 20a (TN00-10)
Page 20b (TN00-10)
Page 20c (TN00-10)
Page 20d (TN00-10)
Page 20e (TN00-10)

27. Rate Determination for Rehabilitative Services.

The Texas Department of Mental Health and Mental Retardation (TDMHMR) will reimburse qualified providers for rehabilitative services provided to Medicaid eligible persons with mental illness.

For the periods, October 1, 2001 and beyond, Health and Human Services (HHSC) will determine reimbursement rates using a cost reporting process. Rehabilitative services providers are reimbursed a uniform, statewide, interim rate with a cost-related year-end settle-up. The interim rate is determined prospectively and at least annually. An interim rate is set for each service type. Reimbursements are determined in the following manner:

1. Inclusion of certain reported expenses. Providers must ensure that all requested allowable costs are included in the cost report. The cost report must be formatted according to HHSC's specifications.
2. Data collection. HHSC collects several different kinds of data. These include the number of units of rehabilitative services that clients receive and allowable cost data. The cost data will be derived from time-study logs, payroll records, time sheets, and general ledger. The cost data will include allowable programmatic direct, programmatic indirect, and general and administrative overhead costs.
 - (a) Data is collected by the type of service delivered. These services are specified Appendix 1 to Attachment 3.1-A, pages 31a to 31h and Appendix 1 to Attachment 3.1-B, pages 31a to 31h of the Texas Medicaid State Plan.
 - (b) A unit of service is defined in 30 minute increments for community support services, one hour increments for day programming services, and a face to face contact for treatment plan oversight.
 - (c) Services can be provided by professionals and paraprofessionals. These include, but are not necessarily limited to physicians, psychologists, nurses, social workers, mental health technicians, counselors, therapists, and therapy associates.

STATE <u>Texas</u>	A
DATE REC'D <u>12-06-01</u>	
DATE APPV'D <u>02-04-03</u>	
DATE EFF <u>10-01-01</u>	
TX <u>01-03</u>	

SUPERSEDES: TN- TX 00-10

27. Rate Determination for Rehabilitative Services (continued).

(d) HHSC will calculate interim rates for services within each of the following categories:

- (1) Service Category 1:
 - (A) Day programs for acute needs – adult;
 - (B) Day programs for acute needs – child; and
 - (C) Day programs for skills maintenance – adult.
- (2) Service Category 2:
 - (A) Day programs for skills training – adult;
 - (B) Day programs for skills training – child;
 - (C) Community support services by professional – group; and
 - (D) Community support services by paraprofessional – group.
- (3) Service Category 3:
 - (A) Community support services by professional – individual; and
 - (B) Community support services by paraprofessional – individual.
- (4) Service Category 4: Rehabilitative treatment plan oversight.

(e) Programmatic direct costs include the allowable salaries, benefits, and other costs of the rehabilitative services program that are directly related to the delivery of rehabilitative services to individuals. Programmatic indirect costs include the allowable salaries, benefits, and other costs of the rehabilitative services program that are indirectly related to the delivery of rehabilitative services to individuals. General and administrative overhead costs include the allowable salaries, benefits, and the other costs of operations of the provider that, while not directly part of the rehabilitative services program, constitute costs which support the operations of the rehabilitative services program. Other costs include non-salary related costs such as building and equipment maintenance, repair, depreciation, amortization, and insurance expenses; employee travel and training expenses; utilities; plus material and supply expenses.

SUPERSEDES TN- TX 00-10

STATE <u>Texas</u>	A
DATE REC'D <u>12-26-01</u>	
DATE APPV'D <u>02-04-02</u>	
DATE EFF <u>10-01-01</u>	
COPIES <u>TX 01-03</u>	

27. Rate Determination for Rehabilitative Services (continued).

- (f) Revenues and costs will be collected and allocated to assure the separation of costs associated with rehabilitative services from revenues and costs associated with other Medicaid-reimbursed services and non-Medicaid services.

3. Reimbursement methodology.

HHSC determines the recommended reimbursement using the following method.

- (a) Reimbursement setting authority. HHSC establishes the reimbursement rate. HHSC sets reimbursements that, in its opinion, are within budgetary constraints and OMB A-87, adequate to reimburse the cost of operations for an economic and efficient provider, and justifiable given current economic conditions. HHSC adjusts reimbursement if new legislation, regulations, or economic factors affect costs.
- (b) Interim rate methodology. Cost projections adjust the allowed historical costs based on significant changes in cost-related conditions anticipated to occur between the historical cost period and the prospective reimbursement period. Changes in cost-related conditions include, but are not limited to, inflation or deflation in wage or price, changes in program utilization and occupancy, modification of federal or state regulations and statutes, and implementation of federal or state court orders and settlement agreements.
- (1) Costs are adjusted for the prospective reimbursement period by a general cost inflation index. The Personal Consumption Expenditures (PCE) Chain-Type Index, which is based on data from the U.S. Department of Commerce, is the most general measure of inflation and is applied to most salaries, materials, supplies, and services when other specific inflators are not appropriate.
- (2) Cost per unit of service. For each provider, the unit cost for each type of rehabilitative service is determined by dividing the total cost of rehabilitative service by the total units of service.

SUPERSEDES TN- TX 00-10

STATE <u>Texas</u>	A
DATE REC'D <u>12-26-01</u>	
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DATE EFF <u>10-01-01</u>	
HCFA 179 <u>TX 01-03</u>	

27. Rate Determination for Rehabilitative Services (continued).

- (3) Reimbursement determination. The mean provider cost per unit of service is calculated, and the statistical outliers (those providers whose unit cost exceed plus or minus (+/-) two standard deviations of the mean provider cost) are removed. After removal of the statistical outliers, the mean cost per unit of service is calculated. This mean cost per unit of service becomes recommended reimbursement per unit of service.
- (c) Settle-up Process. At the end of each reimbursement period, HHSC will compare the amount reimbursed at the interim rate for each service category and the rehabilitative services provider's costs for each service category, as submitted on its cost report in accordance with subsection (c) of this section.
 - (1) If a rehabilitative service provider's costs are less than 95% of the amount reimbursed at the interim rate, HHSC will demand that payment be made to TDMHMR by the rehabilitative services provider of the difference between its allowable costs and 95% of the amount reimbursed at the interim rate for each service category. TDMHMR will notify the rehabilitative services provider of the amount owed to TDMHMR.
 - (2) If a rehabilitative services provider's costs exceed the amount reimbursed at the interim rate, TDMHMR will reimburse the rehabilitative services provider the difference between its allowable costs and the reimbursement at the interim rate up to 125% of the amount reimbursable at the interim rate for each service category. Prior to reimbursement, TDMHMR will notify the rehabilitative services provider of the amount owed to the provider.
- (d) Reviews of cost report disallowances. A provider may request notification of the exclusions and adjustments to reported expenses made during either desk reviews or on-site audits, according to state regulations. Providers may request an informal review and, if necessary, an administrative hearing to dispute the action taken by HHSC under state law.

SUPERSEDES: TN- TX 00-10

STATE	Texas	A
DATE REC'D	12-26-01	
DATE APP'D	02-04-02	
DATE EFF.	10-01-01	
HCFA 179	TX 01-03	



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services

Calvin G. Cline

Associate Regional Administrator, Medicaid and State Operations

1301 Young Street, Room 827
Dallas, Texas 75202
Phone (214) 767-6301
Fax (214) 767-0270

February 4, 2002

Our Reference: **SPA-TX-01-03**

Ms. Linda K. Wertz, State Medicaid Director
Texas Health and Human Services Commission
Post Office Box 13247
Austin, Texas 78711

Dear Ms. Wertz:

We have enclosed a copy of HCFA-179, **Transmittal Number 01-03**, dated December 21, 2001.

This amendment revises the reimbursement methodology for rehabilitation services from a uniform, prospective rate that is determined at least annually to a uniform, statewide, interim rate with a cost-related year-end settlement. We have approved the amendment for incorporation into the official Texas State Plan **effective October 1, 2001**. If you have any questions, please call Shirley Glaspie at (214) 767-6407.

Sincerely,

Calvin G. Cline
Associate Regional Administrator
Division of Medicaid and State Operations

Enclosures

cc: Elliott Wesiman, CMSO, PCPG
Commerce Clearing House



bcc:

Gerry Geels

Linda Deramus

Official and Reading Files

MOFMB/sglaspie/TX-01-03